COMMITMENT
INTEGRITY
LEADERSHIP

July 24, 2025
Report 2024-116
FACT SHEET

Grant Parks *California State Auditor*

CONTACT: *Communications Office* | *(916) 445-0255*

Office of AIDS

Further Improvements to Its Contract Management Processes Are Needed to Reduce the Risk of Fraud

At A Glance

We found that the Office of AIDS has…

- ✓ **Implemented** all Deloitte recommendations *(p.7)*
- ✓ **Allocated** funding appropriately based on relevant data *(p.17)*
- ✓ **Ensured** that contractors adhere to their contracts *(p. 23)*
- ✓ **Taken** steps to enforce compliance unit audit findings *(p.23)*
- ✗ **Not** begun verifying subcontractor expenses *(p.7)*
- ✗ **Not** measured the efficiency of program spending *(p.17)*
- ✗ **Not** evaluated the effectiveness of a pilot program *(p.33)*

Background

The Office of AIDS (OA) is a division within the California Department of Public Health (Public Health) and is responsible for coordinating state programs, services, and activities relating to the human immunodeficiency virus (HIV), acquired immune deficiency syndrome (AIDS), and AIDS-related conditions. The OA allocates funding to contractors to support various services related to HIV and AIDS. As a result of fraud perpetrated by certain OA staff from December 2017 through November 2018, Public Health engaged a consultant to review the OA's internal controls and compliance with administrative procedures, among other things. That review, as well as other reviews and audits conducted since then, resulted in recommendations to improve various aspects of the OA's operation. This audit focuses on evaluating the OA's progress toward addressing those recommendations, as well as reviewing its role in coordinating state programs, services, and activities relating to HIV and AIDS.

Key Findings

- Despite correcting its past audit findings, including implementing Deloitte's recommendations, the OA is still susceptible to fraud risk because it does not verify work performed by its contractors' subcontractors.
- The OA does not have a standardized process to measure whether local health jurisdictions (jurisdictions) and community-based organizations (CBOs) use their allocations efficiently. For example, it does not have policies that require its staff to evaluate whether jurisdictions and CBOs use their funding efficiently and does not require evaluations to be documented. As a result, the OA cannot ensure that jurisdictions and CBOs use their allocations in the most efficient manner.
- The OA operated the Housing Plus Project (Housing Project) as a pilot program to provide housing assistance to people with HIV who were in unstable housing situations, so those individuals did not need to balance their housing needs against their health needs. The OA has not determined the effectiveness of the Housing Project and does not have plans to continue the program. Further, the OA did not systematically review whether the Housing Project providers adhered to the program's client eligibility requirements and cannot clearly demonstrate that one of the 24 Housing Project clients we reviewed was eligible to receive services.

Key Recommendations

- To reduce the likelihood that the OA experiences further fraud and to ensure that it pays contractors only for appropriate and supported subcontractor expenses, the OA should establish a policy by December 2025 to require that contractors submit documentation that verifies the cost of the work performed by their subcontractors.
- To ensure that its contractors are using their allocations efficiently, the OA should establish guidance for its programs by December 2025 that requires them to develop procedures for evaluating their contractors' use of funds and to document their conclusions about whether those funds are being used efficiently. The OA should require its programs to establish their procedures by March 2026.
- To ensure the effectiveness and accountability of its programs, when creating or implementing new programs like the Housing Project, the OA should establish a policy by March 2026 that requires program staff to establish for the new program oversight processes that ensure that program recipients follow its key program guidance.